

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SEC-01 OPIC-03 H-01 L-03

TRSE-00 CIAE-00 INR-07 NSAE-00 /036 W

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R 231737Z MAR 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0659

INFO AMCONSUL OPORTO

USDOC WASHDC

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E.O. 11652: N/A

TAGS: EINV, PO

SUBJ: WEEKLY SUMMARY OF AMERICAN INVESTMENT PROBLEMS

REF: (A) LISBON 148, (B) LISBON 1921, (C) LISBON 1959,

(D) LISBON 1843

1. SIGNETICS: WITHOUT INCIDENT, SIGNETICS RECENTLY LAID OFF AND PAID FULL INDEMNITY TO ITS 200 WORKERS, THUS CEASING LOCAL OPERATIONS. PHILLIPS COMPANY REPRESENTATIVE NOW HELPING DISPOSE OF MACHINERY AND IS SEEKING ANOTHER FIRM TO OCCUPY PREMISES.

2. MARRIOTT: LAY-OFF DISCUSSED REF A APPEARS TO BE PROCEEDING WITHOUT INCIDENT. FINANCE MINISTRY REPRESENTATIVE HAS DETERMINED THAT MARRIOTT'S FIGURES DEMONSTRATING FIRM'S FINANCIAL DIFFICULTIES ARE CORRECT. HOTEL WORKERS UNION NOT YET RESISTING STRONGLY, ACCORDING MARRIOTT MANAGER. GOP LEGALLY EXTENDED FROM APRIL 10 UNTIL MAY 11 DISCUSSION PERIOD NECESSARY BEFORE WORKER LAY-OFF.

3. GENERAL INSTRUMENTS LUSITANA (GIL): GIL INFORMED EMB OFFICER LAST WEEK THAT GI BOARD OF DIRECTORS, NEW YORK STUDYING 8-POINT PROGRAM REF B. VICE-PRESIDENT SCHEDULED  
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RETURN PORTUGAL IN APRIL. CRIMINAL CHARGES (WHICH WAS CONTENTIOUS ISSUE) AGAINST FOUR LOCAL GIL EMPLOYEES IN PROCESS OF BEING DROPPED; THEREFORE, CHARGES WILL BE TECHNICALLY AGAINST COMPANY.

4. MUELLER-MONTAGEM: MUELLER INFORMED EMB THAT DESPITE COURT DECISION (REF C), HE HAS BEEN UNABLE TO OBTAIN

OFFICE KEYS AND CHECKBOOKS. FIRM'S LOCAL OFFICE REPORTED-  
LY STILL GUARDED BY TWO "LEFT-LEANING" WORKERS WHO TOLD  
MUELLER THAT WORKERS WILL PROTEST COURT DECISION; THEY  
THEN THREATENED HIM WITH BODILY HARM IF HE DID NOT  
LEAVE PREMISES. EMB WILL REPORT FURTHER DEVELOPMENTS.

5. STELBER-PORTUGUESA:

A. STELBER-PORTUGUESA, LOCATED IN NORTHERN PORTUGAL,  
IS WHOLLY-OWNED SUBSIDIARY OF STELBER-INDUSTRIES,  
N.Y. LOCAL PLANT EMPLOYS 540 AND PRODUCES BICYCLES,  
ACCESSORIES, SPORTING AND RECORDING STUDIO EQUIPMENT,  
AND DOES ELECTRO-PLATING. FIRM WAS CHIEF SUPPLIER OF  
BICYCLES FOR MONTGOMERY WARD BUT HAS NOT EXPORTED LARGE  
QUANTITIES TO THE U.S. SINCE EARLY 1975. FIRM PRODUCING  
AT LEVEL SIGNIFICANTLY BELOW CAPACITY ALTHOUGH IT CON-  
TINUES TO MANUFACTURE FOR DOMESTIC AND POSSIBLY FOR  
EXTERNAL MARKETS.

B. IN NOVEMBER 1976 PRESIDENT OF STELBER INDUSTRIES,  
NEW YORK (COHEN) REFUSED GIVE STELBER-PORTUGUESA CONTRACT  
TO PRODUCE 200,000 BICYCLES TO BE SUPPLIED TO MONTGOMERY WARD.  
DECISION REPORTEDLY MADE BECAUSE OF PROBLEMS WITH LOCAL WORKERS  
AND MANAGEMENT. LOCAL FIRM TECHNICALLY BANKRUPT AND GOP  
THREATENING TO WITHHOLD FINANCIAL ASSISTANCE TO KEEP  
FIRM ALIVE.

C. ON MARCH 22 EMBASSY OFFICIALS MET WITH MIDDLE-  
LEVEL INDUSTRY MINISTRY OFFICIAL AND STELBER LAWYER.  
MEETING CALLED BY GOP TO EXPLAIN THEIR POSITION, ENLIST  
EMBASSY HELP, AND REQUEST WRITTEN PROPOSAL FROM STELBER.  
GOP BELIEVES FOLLOWING NECESSARY TO RESOLVE PROBLEM:  
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(1) STELBER INDUSTRIES, NEW YORK MUST TURN \$1.5 MILLION DEBT  
OWED TO IT BY LOCAL COMPANY INTO CAPITAL; (2) STELBER, N.Y. MUST  
INVEST \$750,000 IN LOCAL FIRM; (3) STELBER'S U.S. BANKS  
MUST GUARANTEE AT LEAST PART OF LOCAL FIRM'S DEBT TO  
PORTUGUESE BANKING SYSTEM. MINISTRY INDUSTRY OFFICIAL  
STATED THAT WRITTEN PROPOSAL TO GOP TO RESOLVE LOCAL  
FIRM'S PROBLEM IS HIGHEST PRIORITY. STELBER LAWYER COM-  
MENTED THAT KEY PROBLEM IS COST OF PRODUCTION IN FACTORY  
AND NOTED ACCOUNTING FIRM ENGAGED IN ANALYZING COSTS.  
STELBER U.S. OFFICIALS DUE IN PORTUGAL MARCH 23 TO DETERMINE  
FEASIBILITY OF CONTINUING PRODUCTION.

D. LAWYER TOLD EMBASSY CONFIDENTIALLY THAT STELBER  
INDUSTRIES, N.Y. STOCKHOLDERS/ CREDITORS HAVE DECIDED TO  
DO ALL POSSIBLE TO CONTINUE OPERATIONS IN PORTUGAL. DE-  
PENDENT UPON PRODUCTION COSTS.

6. LATRIQUE: COMMATT WAS INFORMED BY PETER VAIL OF  
LATRIQUE (REF D) THAT HE HAS WRITTEN LETTER TO CONSET  
PROPOSING PLACEMENT OF SMALL ORDERS FOR BRASSIERES.

ORDERS WILL DEPEND UPON PRICE, DELIVERY SCHEDULES,  
SECURITY OF GOODS, ETC. VAIL ENCOURAGED BECAUSE CONSET  
HAS REHIRED PRODUCTION CHIEF WHO WAS PURGED BY WORKERS  
IN 1975. IN EXCHANGE FOR ORDERS VAIL WANTS BANCO ESPIRITO  
SANTO (BESCL) TO SHIFT LATRIQUE U.S. DOLLAR OBLIGATIONS  
(MOST IN FORM OF PARENT FIRM GUARANTEES) TO ESCUDO  
OBLIGATIONS OF LATRIQUE PORTUGUESA. THESE OBLIGATIONS  
WOULD BE LIQUIDATED THROUGH PROFITS OF LATRIQUE PORTU-  
GUESA ON ORDERS PLACED BY LATRIQUE NEW YORK. IN ADDITION,  
VAIL WANTS COMMITMENT BY BESCL NOT TO BRING SUIT IN  
NEW YORK TO COLLECT DEBT. VAIL STATES THAT BESCL  
REPRESENTATIVE IN NEW YORK IS THREATENING TO FILE SUIT  
MOMENTARILY. VAIL IS THREATENING TO BRING COUNTERSUIT  
AGAINST GOP SHOULD BESCL INITIATE LEGAL ACTION.  
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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009